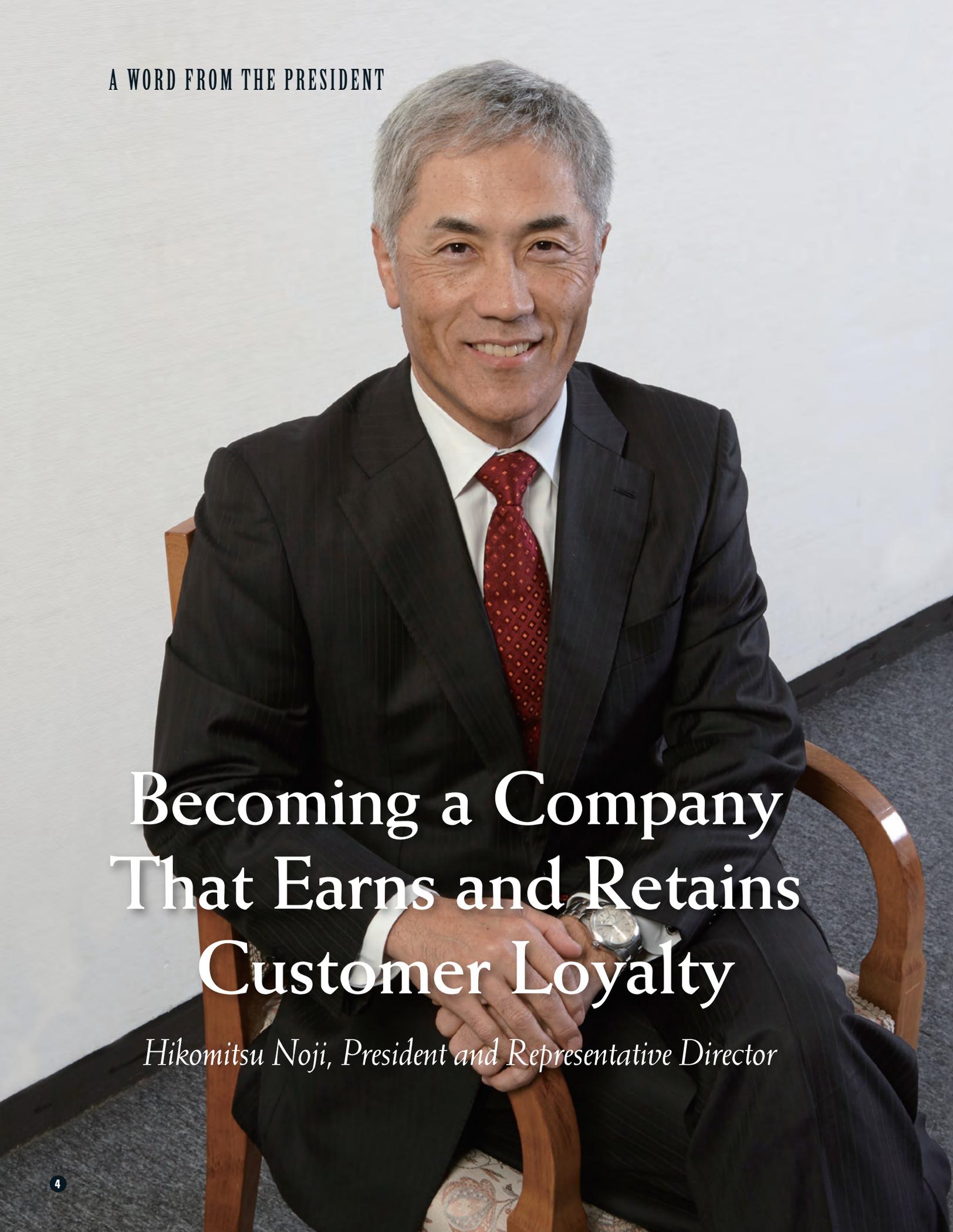


A WORD FROM THE PRESIDENT



Becoming a Company
That Earns and Retains
Customer Loyalty

Hikomitsu Noji, President and Representative Director

We have entered the culminating three years—Phase IV—of our Grand Design 100 medium-term management plan in 2015. President Hikomitsu Noji discusses our strategic emphases in working to fulfill the aims of Phase IV and thereby complete Grand Design 100 successfully.

Our financial targets and attainment in Phase III

We exceeded our aggregate, three-year targets in Phase III (2012–2014) for operating income, which totaled ¥165.4 billion, and for operating profit margin, which reached 9.3%. Our aggregate, three-year net sales in Phase III totaled ¥1,786.6 billion, just shy of our target.

The business environment was generally favorable during the three years of Phase III. We benefited from a weakening yen during most of Phase III, starting in the latter half of 2012, and from a downward trend in raw material prices. The business environment deteriorated somewhat, however, in the latter half of 2014. Japanese demand, which surged in advance of the April 1 hike in the national sales tax, slumped after the hike. Price competition escalated, meanwhile, in the world's principal tire markets. Also affecting our business adversely was the downturn in the Russian economy that resulted from unrest in Ukraine.

Other Phase III achievements and issues

Highlighting our Phase III performance in tires was progress in expanding our global production capacity and in winning fitments on a broadened range of vehicle models. Our annual production capacity increased to 68 million tires at 2014 year-end, from 59 million at 2011 year-end. Accounting for most of that increase were plant expansion projects in the Philippines, Thailand, and China; the start of production at a new Russian plant; and the completion of a plant in India. Our expanded business with automakers included new fitments on models produced globally by Japanese automakers and high-profile fitments on premium-grade models from European automakers. Altogether, we heightened our visibility greatly in the original equipment market.

Another gratifying development in Phase III was the improved performance that we achieved in our Multiple Business operations. Those operations displayed renewed growth momentum in sales and in earnings as we deployed products strategically and strengthened our production and sales networks worldwide.

As for Phase III issues, we lagged in responding to escalating price competition in our principal tire markets. And our sales were sluggish in North America, in Europe, and in Russia.

The market environment in Phase IV

We are concerned about the possibility of slowing economic growth in Europe and in China during Phase IV. In Japan, the hike in the national sales tax scheduled for 2017 is already causing trepidation. But we expect crude oil prices to remain low and to thereby stimulate vehicle usage and thus support robust demand for tires. Toughened environmental regulations in nations around the world will occasion escalating competition, however, in developing fuel-saving tires. And we will face mounting competition from emerging tire manufacturers.

The uncertain outlook dictates that we respond flexibly to changes in the business environment and hedge our risk exposure. We also need to differentiate our products advantageously with original technology and thereby capitalize on business opportunities.

The meaning of the Phase IV theme: All for Growth—Focusing Our Energy on Growth

We adopted the themes of Profitable Growth for Phase I of Grand Design 100, Quality Growth for Phase II, and Robust and Responsive Growth for Phase III. In Phase IV, we will work in the spirit of All for Growth—Focusing Our Energy on Growth to resolve issues that have arisen during the first three phases and to set the stage for progress in our company's second century. Our work in the first three phases of Grand Design 100 fostered growth momentum and growth potential in individual units and in our organization overall. In Phase IV, we will strive to consolidate that momentum and potential.

Why we are reaffirming our commitment to customer satisfaction

All of us at Yokohama have worked throughout the first three phases of Grand Design 100 to foster a customer-oriented corporate culture. But our sales did not grow fully in accordance with our aims and expectations in Phase III. So we are redoubling our efforts in Phase IV to channel all our activity companywide into maximizing customer satisfaction. That means offering distinctive, Yokohama-like products that customers will choose ahead of others. We are determined to create products that will capture the attention and win the hearts of customers. And we are tackling that challenge by mobilizing all our resources in product planning, in development and design, and in manufacturing and marketing.



"We are one of the few tire manufacturers capable of supplying tires that improve fuel economy without compromising grip."

Our main emphases in tire strategy

Expanding our business further with global automakers is a high priority in our tire strategy. That will need to include addressing automakers' mounting concern with reducing fuel consumption and output of carbon dioxide. Addressing that concern will require progress in resolving the incompatibility between low rolling resistance and reliable grip.

We are one of the few tire manufacturers capable of supplying tires that improve fuel economy without compromising grip, and we will build on that position to broaden our presence in the original equipment market. Our fitments on premium-grade models, especially, raise our profile and strengthen our reputation for product reliability. And that reinforces our momentum in the marketplace for replacement tires. We aim to increase our share of the global original equipment market to 10%.

Another strategic emphasis for us in tires is expanding business in commercial tires. That product sector consists of tires for trucks and buses and for mining and construction equipment. Asserting a strong presence in commercial tires is essential to competing effectively as a global tire manufacturer. That is because those tires are technologically demanding and therefore constitute a market where only the technologically strongest manufacturers can compete. Especially challenging are large and

ultralarge tires for mining and construction equipment. The world's two largest tire manufacturers have had that market sector pretty much to themselves, but we are building a foothold there. We have staked out a presence with the launch of 49- and 51-inch radial tires and are developing 57-inch radial tires.

The main strategic emphases in our Multiple Business operations

We are working to increase the Multiple Business share of net sales to 25%, compared with about 20% in 2014. Our strategy for achieving that increase centers on expanding business globally in automotive components and materials and on building on our market leadership in marine products.

Yokohama offerings in high-pressure hoses and in sealants have earned high regard from automakers in Japan, and we need to pick up the pace in developing business for those products in the global marketplace. We command extremely large market shares worldwide, meanwhile, in pneumatic marine fenders and in marine hoses. Reinforcing our business momentum in those product categories will depend on fortifying our capabilities in manufacturing and marketing products globally. We acquired an Italian manufacturer of marine hoses in 2014 and will begin producing pneumatic fenders and marine hoses at a new plant on Indonesia in the latter half of 2015.



"Earning customer satisfaction is a challenge that will continue, of course, beyond Phase IV and into our second century."

Our strategy in technological development

Earning customer satisfaction by asserting distinctively Yokohama quality is a central emphasis for us in technology strategy. Our efforts to achieve that aim include unifying tire specifications globally. That will enable us to serve demand anywhere with tires of uniformly high quality, regardless of where they are produced.

Our stepped-up measures for earning customer satisfaction also include globalizing our product development work in tires. We have augmented our traditionally Japan-based R&D capabilities by expanding our development center in China and by opening a development center in Thailand in April 2015, and we plan to build a development center in the United States.

Common strategies for all operations

A proactive approach to corporate acquisitions and alliances is an indispensable part of our strategy for achieving annual net sales of ¥1 trillion. We are prepared to tap external resources to supplement our capabilities in manufacturing, in product development, and in marketing. Working with research organizations and with other companies will be especially important in speeding progress in developing next-generation technologies.

Corporate social responsibility

Fulfilling our corporate social responsibility is a prerequisite for achieving sustainable growth as a

global organization. That includes addressing issues of common concern to people everywhere, such as environmental quality and human rights. It also includes fostering a workplace environment that encourages and helps employees at all our operations make the most of their potential. That means adapting our human resources program to different needs in different regions. Our Thai subsidiary that processes natural rubber, for example, provides employees with financial support for sending their children to school. And the tire plant that we will open in Mississippi in 2015 will help employees obtain higher-education degrees.

A long-term vision for Yokohama

I want Yokohama to be a company that enjoys strong customer loyalty. That means having legions of customers worldwide who are determined to secure Yokohama products. Our Phase IV emphases in Grand Design 100 include channeling "all our activity companywide into maximizing customer satisfaction." Earning customer satisfaction is a challenge that will continue, of course, beyond Phase IV and into our second century. As a manufacturer, we will continue to interface with customers principally through products. We therefore need to appeal to customers with products of superior quality that address needs fully and that capture the imagination. Our challenge is to foster a global base of Yokohama aficionados.

Grand Design 100 Phase IV



Aiming for annual net sales of ¥770 billion in 2017 in the spirit of All for Growth

Yokohama Rubber entered the fourth and culminating phase of its medium-term management plan, Grand Design 100, in January 2015. Here is a summary of Phase IV.

About Grand Design 100

We launched Grand Design 100 in 2006 as a medium-term management plan for the 12 years to our corporate centennial in 2017. The plan sketches a vision for evoking “a distinctive global identity in building corporate value and in building a strong market presence by 2017.” Our original financial targets were to achieve annual net sales of ¥1 trillion and operating income of ¥100 billion by 2017 and thus achieve an operating profit margin of 10% by that year. Grand Design 100 comprises four three-year phases, and we completed Phase III in 2014. We are on track to attain the target for operating profit margin by 2017, but changes in the business environment have obliged us to extend the time horizon for attaining the targets for net sales and operating income.

Summary of Phase III

Our theme for Phase III of Grand Design 100 (2012–2014) was Robust and Responsive Growth, and we deployed growth strategies in the spirit of that theme for our tire operations and our Multiple Business (diversified products) operations. As a result, our annual tire production capacity increased to about 68 million tires at 2014 year-end, from 59 million at 2011 year-end. And vigorous measures for developing overseas business helped achieve renewed growth momentum in our Multiple Business operations. On the other hand, our sales growth in tires lagged the growth in production capacity worldwide. Our aggregate, three-year targets in Phase III were ¥1,800.0 billion for net sales, ¥150.0 billion for operating income, and 8.3% for operating profit margin. We exceeded the latter two targets with operating income of ¥165.4 billion and an operating profit margin of 9.3%, though our net sales of ¥1,786.6 billion were slightly below our target.

Phase IV Theme and Financial Targets

We will tackle Phase IV (2015–2017) in the spirit of All for Growth—Focusing Our Energy on Growth. In that spirit, we will work to resolve issues that have arisen during the first three phases, to culminate Grand Design 100 on a positive note, and to set the stage for new progress in our company's second century. Our work in the first three phases of Grand Design 100 fostered growth momentum and growth potential in individual units and in our organization overall. In Phase IV, we will strive to consolidate that momentum and potential with an eye to attaining annual net sales of ¥770.0 billion, annual operating income of ¥80.0 billion, an operating profit margin of 10.4% by 2017.

Grand Design 100 Vision and Basic Policy

Evoke a distinctive global identity in building corporate value and in building a strong market presence

Long-Term Financial Targets

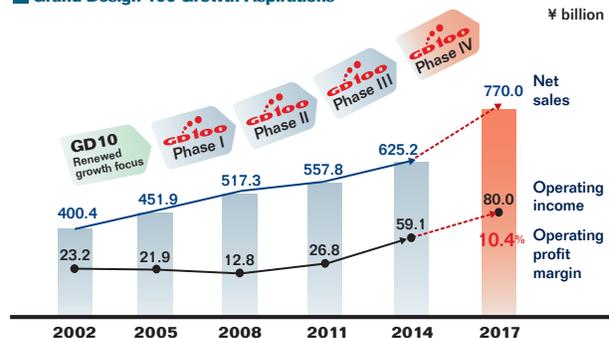
(year to December 31, 2017)

Net sales	¥1 trillion
Operating income	¥100 billion
Operating profit margin	10%

Basic Policy

- Deliver the best products at competitive prices and on time
- Assert world-class strengths in technologies for protecting the environment
- Foster a customer-oriented corporate culture that honors rigorous standards of corporate ethics

Grand Design 100 Growth Aspirations



Phase III Three-Year Financial Results and Targets

	Targets	Results
Net sales	¥1,800.0 billion	¥1,786.6 billion
Operating income	¥150.0 billion	¥165.4 billion
Op. profit margin	8.3%	9.3%

Phase IV Theme

All for Growth
Focusing our energy on growth

Phase IV Financial Targets for 2017

Net sales	¥770.0 billion	Net ROA	More than 5%
Operating income	¥80.0 billion	Net ROE	More than 12%
Op. profit margin	10.4%	D/E ratio	Less than 0.8

ROA: Return on total assets
ROE: Return on shareholders' equity
D/E: Debt/equity

Phase IV Strategies

Basic Approach



Tire Strategy

Allocate More Resources to Winning Business with Automakers Worldwide

In appealing to automakers, we will strive to assert leadership in fuel-saving technology and in other technologies to serve the automakers' environmental, safety, and performance needs. We are counting on that effort to help us secure technological approvals from more automakers and to win fitments on more vehicles worldwide.

Our business in the original equipment sector has consisted mainly of deliveries to Japanese automakers, supplemented by fitments on premium European and US vehicle models. Recently, we have broadened our original equipment business with the start of deliveries to Changan Automobile, one of the Chinese Big Five automakers.

We are working to increase the overseas percentage of our original equipment business while expanding that business overall. Overseas deliveries accounted for about one-third of our business with automakers in 2014, and we aim to increase that share to more than half by 2017 and to around 70% by 2020.

Strengthen Our Presence in Our Principal Markets

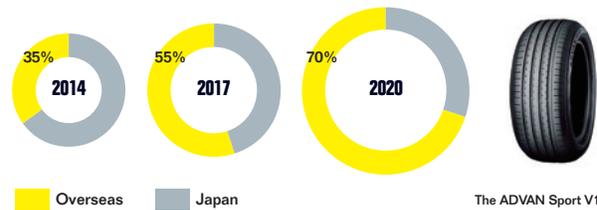
Authoritative projections place global tire demand in 2017 at 1,987 million tires. The largest markets are China, Europe, and North America, and we are therefore working to expand our presence in all of those markets. We have an especially strong position, meanwhile, in the Japanese and Russian markets, and we are working to expand our presence further in those markets.

Our approach in our principal markets includes establishing and expanding local production capabilities, upgrading our distribution channels, and fortifying our marketing. We continue working to build strong global brands and to cultivate Yokohama aficionados worldwide.

We have earmarked ¥120.0 billion for investment in expanding tire production capacity during the three years of Phase IV. That investment will increase our annual production capacity to 89 million tires by 2020 year-end, from the 74 million planned for 2017 year-end and from 68 million at 2014 year-end. Most of the expansion will be to serve demand locally in our principal markets. And a lot of the new capacity will come on line after the completion of Phase IV.

Expansion projects are under way at our Philippine and Thai tire plants and at our Suzhou passenger car tire plant in China. And we are considering new plants and plant expansions in North America, Russia, Europe, and China.

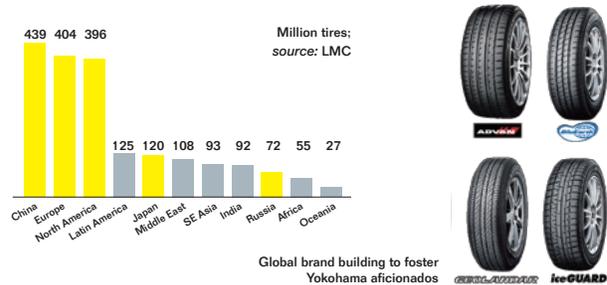
Doubling the Overseas Share of Our OE Business



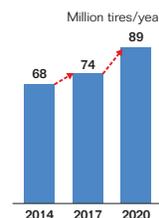
Examples of factory fitments

- Porsche
- Mercedes-Benz
- Audi
- Chrysler
- Jeep
- Lexus
- Changan

Projected global tire demand in 2017: 1,987 million tires



Our Production Capacity



New Plants and Plant Expansions

Under consideration
North America, Russia, Europe, China

Plant expansion under way
Philippines, Thailand, China (Suzhou)

Expand Business in Commercial Tires

The completion of our truck and bus tire plant in Mississippi in the latter half of 2015 will further localize our production in a principal market. In off-the-road tires, we are asserting a high-value-added presence in radial tires at the large end of the size spectrum. That includes developing 57-inch tires to supplement our 49- and 51-inch offerings.



Truck and bus tire plant under construction in Mississippi



Yokohama 51-inch radial tires on a dump truck

Multiple Business Strategy

Expand Business Globally in Automotive Components

We produce automotive hoses for air-conditioning and power steering systems and sealants for automotive windows and other applications at plants in Japan, China, Taiwan, Thailand, the United States, and Mexico. And we will broaden our interface with automakers further by expanding our production and sales networks in this product sector and by applying high-value-added technologies to automotive components.

Build on Market Leadership in Marine Products

Our strategy in marine products centers on fortifying our already-large global market share in pneumatic marine fenders and in marine hoses. With the start-up in the latter half of 2015 of a plant we are building in Indonesia, we will have three production platforms for marine hoses and two for pneumatic marine fenders.

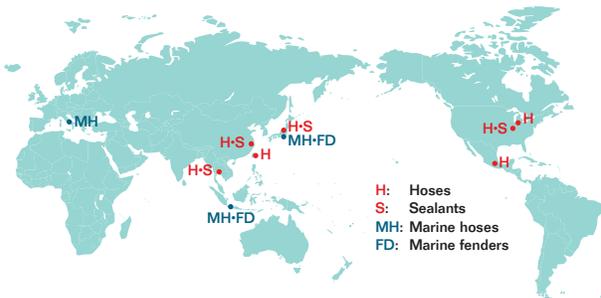
Strengthen Our Position in the Mining and Construction Sectors Worldwide

We will develop business worldwide in hydraulic hoses for construction equipment. Our supply capacity in hoses will increase with the 2015 start-up of a plant we are building in China. In conveyor belts, we will incorporate leading-edge technology to appeal to customers with advances in durability and in energy-saving performance.

Foster Growth in New Ventures Based on Original Technologies

We are fostering growth in new ventures, meanwhile, by deploying original technologies. That includes establishing a foothold in the fuel-cell vehicle sector with hoses for hydrogen stations and supplying hard coatings in the fast-growing smartphone sector.

Production Network for Automotive Hoses and Sealants and for Marine Products



From left: automotive hoses, automotive window sealants, marine hoses, marine fenders



Hydraulic hoses for construction equipment



A Yokohama conveyor belt in service at a mine



Fuel-cell business (shown: artist's rendering of a hydrogen station)



Hard coatings (shown: coating for blocking blue light)

Technology Strategy

Open a New Phase for Yokohama Technology

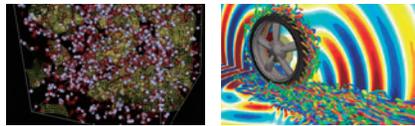
We will apply our advanced recycling technologies to improve resource efficiency. And we will develop new materials and technologies for minimizing environmental impact through molecular engineering.

Earn Customer Satisfaction with Yokohama Quality

Unifying tire specifications at a high level at our plants worldwide will support increased flexibility in serving demand. And we will supplement our Japanese tire-development capabilities by expanding our development center in China and by building development centers in Thailand and the United States.

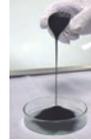
Lay a Next-Generation Technological Foundation

We will speed our work in developing next-generation technologies through joint R&D with other companies and organizations. And we will create next-generation Nanopower rubber through original strengths in materials technology and in advanced analysis and simulation.

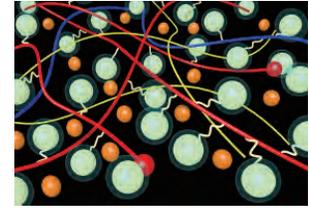


Multiscale simulation

Simulation of fluid acoustics around a tire



Schematic view of tire material recycling



Computer rendering of molecular structure

Tire Development and Evaluation Centers



Common Strategy for All Operations

In Phase IV, we will tap external resources through stepped-up activity in corporate acquisitions and alliances. We will work to reduce costs by ¥30 billion during Phase IV through our *mudadori* cost-cutting activities, under way since 2006. In addition, we will continue working to foster human resources capable of functioning in a global context and will consider adopting the International Financial Reporting Standards (IFRS).

Aiming for ¥30 billion in cost savings in three years

An extension of the *mudadori* cost-cutting activities under way since 2006



Corporate Social Responsibility

We work to fulfill our corporate responsibility in accordance with our CSR Management Vision, issued in 2008, and with the basic policy of Grand Design 100. Our approach centers on seven priorities established in 2010 on the basis of the ISO 26000 seven core subjects.

Our Seven Priorities in Corporate Social Responsibility

Organizational governance	Human rights
Labor practices	Environment
Fair operating practices	Consumer issues
Community involvement and development	

Examples of Measures for Reducing Environmental Impact



The BluEarth series of fuel-saving tires



Biodiversity-preservation activity in Thailand

Example of Measures for Interacting with the Community



Planting work in the earthquake-devastated community of Otsuchi-cho, in Iwate Prefecture